

TOWN OF LEIPSIC
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006

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FOR THE YEAR ENDED JUNE 30, 2006**

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Leipsic
207 Main Street
Leipsic, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Leipsic and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The Town of Leipsic's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over Municipal Street Aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 06-1 - During completion of the Town of Leipsic's program checklist for the Municipal Street Aid grant, it was noted that their cash internal control structure over Municipal Street Aid has no segregation of duties due to lack of personnel. The Town's Treasurer and Mayor control all the cash functions for the Town, which is a reportable internal control weakness that does not properly maintain and safeguard Municipal Street Aid funds. Segregation of duties reduces the risk that one person could perpetrate and/or conceal errors in the normal course of his/her duties.

RECOMMENDATION - The Town should segregate duties related to cash among the Town's board members so that additional controls over the Town's municipal grants can be established.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"Issue raised at Town meeting on 1/09/07. The Town agrees with recommendation."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

FINDING NO. 06-2 - During completion of the Town of Leipsic's program checklist for the Municipal Street Aid grant, it was noted that the Town paid an invoice more than 30 days after receipt of the invoice, which is not in compliance with the State's regulations over disbursement of its funds [29 Del. C. §6516(d)]. Late fee charges of \$ 5.28 were incurred by the Town due to the late payment.

RECOMMENDATION - The Town should ensure invoices are paid in a timely manner.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town agrees with recommendation. Issue raised at Town meeting on 1/09/07."

FINDING NO. 06-3 - As noted in Finding No. 06-2, the Town used Municipal Street Aid funds to pay a utility company \$ 5.28 for late fee charges, which is not an allowable expenditure ([30 Del. C. §5165(a)] and "Guidelines for Municipal Street Aid Funding").

RECOMMENDATION - The Town of Leipsic should reimburse the ineligible costs of \$ 5.28 to the Municipal Street Aid cash account.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"Town agrees with recommendation. Issue raised at Town meeting on 1/09/07."

FINDING NO. 06-4 - During completion of the Town of Leipsic's program checklist for the Municipal Street Aid grant, it was noted that their financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. Expenditures were understated by \$ 100.00 and the ending balance was overstated by \$ 100.00 on the annual report. Also, late fees of \$ 5.28 were improperly classified as lighting expense on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"Town agrees with recommendation. Issue raised at Town meeting 1/09/07."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts or gross violations of grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Leipsic's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
December 13, 2006

**TOWN OF LEIPSIC
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006**

- 4 -

<u>Grants</u>	<u>Amounts Received</u>
Municipal Street Aid	\$ 4,679.50
Police Pension	-
State Aid to Local Law Enforcement	-
Emergency Illegal Drug Enforcement	-

See independent accountant's report on applying agreed-upon procedures.